

Message Text

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ORIGIN EB-06

INFO OCT-01 EA-06 ISO-00 SS-15 AGR-05 CIAE-00 COME-00

INR-05 LAB-01 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00

SWF-01 CIEP-01 FRB-01 OMB-01 L-01 H-01 /049 R

DRAFTED BY EB/FTD:AJWILLIAMS/EA:ROC:B LEVIN:BDS

APPROVED BY D-LROSENBLATT

EA - MR. HABIB

S/S - JPMOFFAT

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P R 042120Z NOV 74

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI PRIORITY

INFO AMEMBASSY BANGKOK

AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY TOKYO

AMCONSUL HONG KONG

USLO PEKING

C O N F I D E N T I A L STATE 242394

E.O. 11652: GDS

TAGS: ETRD, CH, JK, JA, KS, RP, TH, TW

SUBJECT: COTTON CONTRACT PROBLEM: INGERSOLL/SUN MEETING

REF: STATE 241237

1. DURING OCTOBER 30 MEETING (REFTEL, NOTAL) ACTING SECRETARY RAISED WITH ROC MINISTER OF ECONOMIC AFFAIRS Y.S. SUN THE FAILURE OF TEXTILE MILLS IN TAIWAN TO OPEN LETTERS OF CREDIT FOR COTTON CONTRACTED FOR DELIVERY DURING 1974-75 CROP YEAR. THE ACTING SECRETARY STRESSED THAT CONSIDERABLE POLITICAL PRESSURE FOR RESOLUTION OF THE COTTON CONTRACT PROBLEM WAS BUILDING IN CONGRESS, PARTICULARLY AMONG POWERFUL CONGRESSMEN REPRESENTING COTTON-PRODUCING STATES. HE EMPHASIZED
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THE NEED FOR PROMPT ROC ACTION TO AVOID PASSAGE OF

RETALIATORY MEASURES HARMFUL TO BOTH ROC AND US INTERESTS. HE ALSO CITED THE IMPORTANCE OF SANCTITY OF CONTRACTS TO THE MAINTENANCE AND EXPANSION OF TRADE RELATIONS, POINTING OUT THAT WE URGE US FIRMS TO HONOR ALL CONTRACTS AND HOPE THAT OTHER GOVERNMENTS WILL ADOPT A SIMILAR POSITION. ACTING SECRETARY PRESSED SUN FOR ASSURANCES THAT THE ROC WOULD TAKE PROMPT ACTION TO ENSURE THAT CONTRACTS WERE HONORED. THE ACTING SECRETARY SUGGESTED THAT ROC CONSIDER PROVIDING LOANS TO MILLS IN FINANCIAL DIFFICULTY TO ALLOW THEM TO MEET THEIR CONTRACTUAL OBLIGATIONS.

2. MINISTER SUN PROMISED HE WOULD IMMEDIATELY CABLE US VIEWS ON COTTON PROBLEM BACK TO TAIPEI. HE SAID ROC WOULD PUT PRESSURE ON MILLS FINANCIALLY CAPABLE OF HONORING CONTRACTS.

3. ASSISTANT SECRETARY HABIB REFERRED TO SUSPICIONS THAT MILLS WERE REPLACING CONTRACTED US COTTON WITH CHEAPER COTTON FROM THIRD COUNTRIES. HE ASKED FOR ASSURANCES THAT COTTON CONTRACTED BE PURCHASED BEFORE MILLS TURNED TO THIRD COUNTRY SUPPLIERS. SUN SAID HE WOULD LOOK INTO MATTER, BUT MENTIONED POSSIBILITY OF CONFUSION OVER FACT THAT ROC MILLS HAD ALWAYS SATISFIED PART OF THEIR REQUIREMENTS FROM THIRD COUNTRY SOURCES.

4. IN FOLLOW-UP MEETING, HABIB RE-EMPHASIZED IMPORTANCE OF SOME PROGRESS ON THIS ISSUE. COTTON CIRCLES HERE FEARED INDEFINITE POSTPONEMENT AND WERE CAUGHT WITH STOCKS AND CARRYING CHARGES. CONGRESSIONAL PRESSURES WERE REAL AND GROWING. HABIB PRESSED SUN TO INDICATE WHAT ACTION ROC WOULD TAKE. THERE WAS AN URGENT NEED TO TELL COTTON SHIPPERS SOMETHING WHICH COULD EASE PRESSURES. SUN SAID WE COULD TELL SHIPPERS THAT ROC WOULD LOOK INTO PROBLEM IMMEDIATELY AND PROMISES TO TAKE EARLY REMEDIAL ACTION. HE REITERATED THAT FINANCIALLY CAPABLE MILLS WOULD BE PRESSURED TO MEET THEIR OBLIGATIONS.

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5. ROC ECONOMIC MINISTER MARTIN WONG SUGGESTED PRIVATELY TO EA DEPUTY ASSISTANT SECRETARY EDMOND THAT THE LARGE ESTABLISHED MILLS, WITH FINANCIAL ASSURANCES FROM ROC, MIGHT PURCHASE THE CONTRACTS OF NEW SMALL WEAK MILLS. THIS SOLUTION IS ACCEPTABLE TO US.

INGERSOLL

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